



Jerry E. Abramson
Mayor

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Metro Council

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Office of Internal Audit

Louisville Metro
Finance Department

Intent to Purchase
Services

Audit Report

Louisville Metro Finance Department

Intent to Purchase Services

January 2006

Office of Internal Audit



**Louisville Metro
Finance Department**

**Intent to Purchase
Services**

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Transmittal Letter

January 3, 2006

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Re: Review of Louisville Metro Intent to Purchase Services Process

Introduction

We have examined the operating records and procedures of the Intent to Purchase Services (ITPS) process. The ITPS procedures are available for use by departments using procurement guidelines administered through the Louisville Metro Department of Finance. The primary focus of the audit was the operational and fiscal administration of the activity. This included how Metro Finance processes, records, and monitors the activity. Consideration was also given to compliance with established policies, procedures and statutory requirements.

Our examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The Louisville Metro Intent to Purchase Services policies and procedures were reviewed. Interviews of key personnel were conducted. The focus of the review was the administration of the activity, compliance with requirements and the verification that participating suppliers were properly registered with the Louisville Metro Revenue Commission.

A sample of Intent to Purchase Services transactions was reviewed. The sample was chosen from the period July 1, 2004 through June 30, 2005. The sample included Intent to Purchase Services forms, Metro financial system reports and the status of suppliers' Revenue Commission registration.

The review included assessing whether activity was processed accurately and appropriately. The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. Our examination would not reveal all non-compliance issues because it was based on selective review of data.

Opinion

It is our opinion that the administration of the Intent to Purchase Services process is weak. The internal control rating is on page 5 of this report. This rating quantifies our opinion regarding the internal controls, and identifies areas requiring corrective action.

Opportunities to strengthen the Intent to Purchase Services process were noted in several areas. Examples of these include the following.

Metro Revenue Commission Registration. Several suppliers examined were not registered or were not in good standing with the Revenue Commission. ITPS forms do not include Revenue Commission registration information. Therefore, there is no assurance that the requesting department performed its responsibilities to verify proper registration for a potential supplier. The Revenue Commission assesses taxes on net profits. Ultimately, a portion of local taxes collected is returned to Metro Government. Improper registration and poor standing of suppliers could result in Louisville Metro conducting business with entities that are not properly reporting income and making related tax payments.

Purchase authorization for approximately \$2.3 million was recorded using the Intent to Purchase Services process for Louisville Metro during fiscal year 2005. Based on that amount and the potential tax rates, local taxes from this activity could be as high as \$50,600. Several factors, such as reporting requirements for individual suppliers, net profit amounts and tax rates imposed, would determine the actual amount of tax. A summary of the fiscal 2005 estimated local taxes is included in table 1 of the report appendix.

Monitoring and Reconciliation. Monitoring of Intent to Purchase Services is not sufficient. The Metro financial system does not automatically prevent exceeding applicable supplier thresholds (e.g., \$10,000 requires a contract). Monitoring has to be done manually by Metro Finance staff. Since this is not "real time", departments can initiate purchases without realizing the threshold has been exceeded. In addition, Metro financial system reports developed to help in monitoring activity do not provide all the necessary information to effectively oversee activity.

It should be noted that the limitations of the financial system in ensuring compliance with policy thresholds are being addressed. A Metro work group, consisting of representatives from GSA - Purchasing, Finance, and Internal Audit has been reviewing the policy thresholds and system capabilities. Until these are resolved, policy threshold compliance issues will continue.

Intent to Purchase Services Administration. There were some problems noted with the management of Intent to Purchase Services activity. This included the lack of documented functional policies and procedures for Metro Finance's processing of the transactions. This may lead to inconsistencies in processing of activities.

The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of the Intent to Purchase Services activity.

Corrective Action Plan

Representatives from the Louisville Metro Finance Department have reviewed the results and are committed to addressing the issues noted. Metro Finance's corrective action plan is included in this report as responses in the Observations and Recommendations section. We will continue to work with Metro Finance to ensure the actions taken are effective to address the issues noted.

It should be noted that the limitations of the financial system in ensuring compliance with policy thresholds are being addressed. A Metro work group, consisting of representatives from GSA - Purchasing, Finance, and Internal Audit has been reviewing the policy thresholds and system capabilities. Until these are resolved, policy threshold compliance issues will continue.

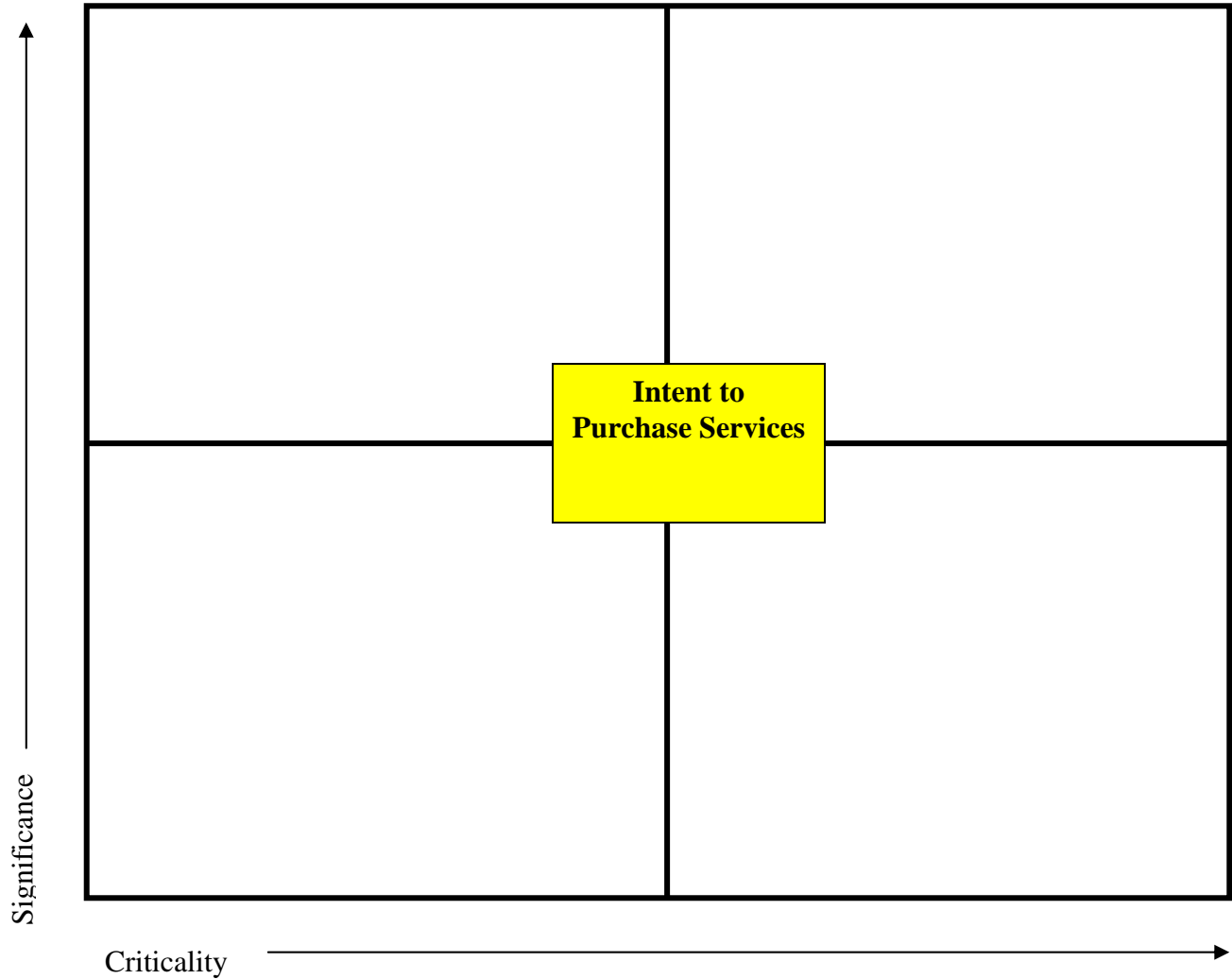
Sincerely,



Michael S. Norman, CIA
Chief Audit Executive

cc: Louisville Metro Council Audit Committee
Louisville Metro Council Members
Deputy Mayors
Secretary of the Cabinet for Finance and Administration
Chief Financial Officer
Director of General Services Administration
Director of GSA Procurement and Business Affairs
Director of the Metro Revenue Commission

Internal Control Rating



<u>Legend</u>			
<u>Criteria</u> <u>Issues</u>	<u>Satisfactory</u> Not likely to impact operations.	<u>Weak</u> Impact on operations likely contained.	<u>Inadequate</u> Impact on operations likely widespread or compounding.
<u>Controls</u>	<u>Effective.</u>	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<u>Policy Compliance</u>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<u>Image</u>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<u>Corrective Action</u>	May be necessary.	Prompt.	Immediate.

Background

Louisville Metro Government's procurement policies are based on the provisions of KRS 45a.343 through 460, and KRS 67C.119(6). These policies are designed to promote sound business practices and to facilitate timely and efficient purchasing practices that meet the requirements of Metro Government. The policies are intended to provide a system that ensures fairness and integrity. Metro Department employees with specific procurement authority are responsible for ensuring the Metro policies are followed. The Metro purchasing policies and procedures are specific for several types of expenditures including services.

There are four primary methods of purchasing services.

1. Purchases of licensed and non-licensed (e.g., artist) professional services \$10,000 or less use the Intent to Purchase Services procedure.
2. Purchases of licensed and non-licensed (e.g., artist) professional services of \$10,000 or more use the Professional Services Contract procedure.
3. Purchases of skilled trade services (e.g., plumber, electrician):
 - Between \$2,500 and \$10,000, the Purchasing Department facilitates the transaction using the price quote procedures.
 - Purchases above \$10,000 are made using Competitive Sealed Bidding or Competitive Negotiation.
4. Purchases using State price contracts.

The Intent to Purchase Services (ITPS) process was established to facilitate the procurement of professional services. Services of licensed and non-licensed professionals can be procured using ITPS, provided the aggregate cost for Metro Government does not exceed \$10,000. The ITPS policy does not require that the desired services be bid. Requesting departments must submit an ITPS request to the Metro Department of Finance for review and approval. If the \$10,000 limit has been reached or if a contract is needed, the purchase must be made using the Professional Service Contract process.

For fiscal year 2005, 346 Intent to Purchase Services transactions were established totaling approximately \$2.3 million. This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not performed any previous reviews of the Louisville Metro Intent to Purchase Services process.

III. Statement of Auditing Standards

Our audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

We conducted a formal study of the internal control structure in order to obtain a sufficient understanding to support our final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

Our examination did not disclose any instances of irregularities, any indications of illegal acts, and nothing came to our attention during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

An exit conference was held on December 2, 2005. Attending were Jane Driskell, Kevin Moore and Robin Grammer representing the Metro Finance Department; Mike Norman, Ingram Quick and Mark Doran representing the Office of Internal Audit. Final audit results were discussed.

The views of Metro Finance Department officials are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

Observations and Recommendations

Scope

The Louisville Metro Government procedures for managing the Intent to Purchase Services process (ITPS) were reviewed. Applicable Louisville Metro personnel were interviewed in order to gain a thorough understanding of the various processes. The focus of the review was the administration of the activity and compliance with regulations. This includes the processing, recording, and monitoring of activity.

A sample of Intent to Purchase Services activity was judgmentally selected from the population of transactions recorded on the Metro financial system for the period July 1, 2004 through June 30, 2005. The review consisted of examining the sample of transactions for purchase authorization, monitoring of threshold limitations and the proper registration of suppliers with the local taxing authority. Two separate data sets were reviewed.

Registration with the Local Taxing Authority

Fifty suppliers whose services were procured using the Intent to Purchase Services process were reviewed. The Louisville Metro Revenue Commission was contacted to assess whether the suppliers were properly registered and in good standing.

Compliance with Policies and Procedures

Twenty-two purchase authorizations, representing fifteen vendors whose services were procured through the Intent to Purchase Services process, were examined. This included the review of the Intent to Purchase Services form to assess the proper review and approval by the Metro Department of Finance. This authorization should consider applicable Metro policies and procedures, statutory regulations and insurance requirements.

This information was reviewed to ensure that activity was processed accurately and appropriately. Our examination would not reveal all non-compliance issues because it was based on selective review of data. The following concerns were noted.

Observations

There were several opportunities noted for improving the administration of the Intent to Purchase Services process. As a result, the internal control structure is weakened and its effectiveness impaired. The observations are as follows:

- #1 Metro Revenue Commission Registration
- #2 Monitoring and Reconciliation
- #3 Intent to Purchase Services Administration

Details of these begin on the following page.

#1 - Metro Revenue Commission Registration

The Metro Revenue Commission is the occupational tax collection agent on behalf of the Louisville Metro Government. Entities and individuals conducting business in the Metro geographic boundaries may be required to register with the Revenue Commission in accordance with established regulations. The Revenue Commission assesses tax rates on net profits as follows.

1. Individuals who reside in the geographic boundaries of Louisville-Jefferson County, corporations and partnerships pay 2.2% of their adjusted net profit.
2. Non-resident individuals pay 1.45% of their adjusted net profit.

Purchase authorization for approximately \$2.3 million was recorded using the Intent to Purchase Services process for Louisville Metro during fiscal year 2005. Based on that amount and the potential tax rates, local taxes from this activity could be as high as \$50,600. Several factors, such as reporting requirements for individual suppliers, net profit amounts and tax rates imposed, would determine the actual amount of tax. A summary of the fiscal 2005 estimated local taxes is included in table 1 of the report appendix.

- The process for ITPS requests does not provide sufficient assurance that verification of the proper Metro Revenue Commission registration and status for suppliers was performed. The ITPS request form does not require a local tax reporting number or any other form of documentation to verify registration. Metro Finance relies on the requesting department to verify the service provider's status with the Revenue Commission without the information being recorded on the ITPS form. This dependence upon the requesting department does not provide sufficient assurance that suppliers are properly registered.

It should be noted that the Metro Finance policies and procedures for other purchasing methods do address the verification and documentation of Metro Revenue Commission registration. The Contract Data Sheet records the local tax identification number, status of account (good standing) or the reason registration is not required. This form is not used for ITPS transactions.

- Several concerns were noted regarding the registration of suppliers with the Metro Revenue Commission. The federal tax identification number recorded on the ITPS request forms for a sample of ITPS suppliers was provided to the Metro Revenue Commission to determine their registration status. The following were noted.

- Of the 50 suppliers examined, 12 (24%) were not registered with the Revenue Commission. Since the ITPS process does not provide assurance that the registration status was verified, a determination could not be made as to whether any of these suppliers should have been registered or not.

The total amount of purchase authorizations for these suppliers was \$53,350. Based on that amount and the potential tax rates, local taxes from this activity could be as high as \$1,174. Several factors, such as reporting requirements for individual suppliers, net profit amounts and tax rates imposed, would determine the actual amount of tax. A summary of this estimate is included in table 2 of the report appendix.

- Of the remaining 38 suppliers who were registered, 15 (30%) were not in "good standing".

- The term “good standing” refers to an individual/business having no delinquent returns and all taxes having been filed. A status of “not in good standing” means that there are problems such as a return not filed or paid in full, the taxpayer failed to send a copy of the supporting federal schedule, information is missing, or the Revenue Commission needs additional explanation of information.

In total, 27 of the 50 (54%) suppliers examined were not registered or were not in good standing with the Revenue Commission. Ultimately, a portion of local taxes collected is returned to Metro Government. Therefore, these issues could involve Louisville Metro conducting business with entities that are not properly reporting income and making related tax payments.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Similar to the Contract Data Sheet used to process other types of Metro purchasing transactions, the Metro Finance policies for ITPS activity should include the verification of supplier’s registration status with the Metro Revenue Commission. The ITPS request document should be updated to include the supplier’s local tax identification number. This would document the Metro Revenue Commission registration information and allow for the verification of the suppliers status.
- ✓ Verification of Metro Revenue Commission registration should be clearly documented to provide assurance of its performance. This is not limited to ITPS transactions. Access to records and training should be provided to allow individuals with the proper level of knowledge to determine the registration requirements for suppliers. This would help ensure that Louisville Metro conducts business with entities that are reporting tax activities in accordance with Metro Revenue Commission regulations.
- ✓ Any forms used to request a purchase authorization (e.g., Contract Data Sheet, ITPS) should provide local tax reporting information that can be used to verify the status of suppliers.
- ✓ The Metro Revenue Commission offers internet-based access for authorized users to verify the registration and status of entities based on their local tax registration number. Metro staff responsible for verifying Revenue Commission registration should request read-only user access in order to perform checks of potential suppliers (registration status, standing).
- ✓ If it is determined that individual departments are responsible for performing the actual verification, the appropriate departmental staff members should request access to the Revenue Commission internet-based access tool. Proper notification and training should be provided for users. The monthly business manager meetings conducted by the Finance and Administration Cabinet staff might be an opportunity to provide this information.
- ✓ The Metro Revenue Commission should be consulted as necessary to determine the proper registration status of potential suppliers. While the internet-based information is useful for suppliers who are registered, the expertise of the Revenue Commission

staff may be necessary to ensure non-registered suppliers are complying with the applicable regulations.

- ✓ Metro Finance should establish policies and procedures requiring applicable entities to be registered and in good standing with the Metro Revenue Commission before they are input in the financial system as authorized suppliers. Periodic checks should be performed to help ensure suppliers required to register with the Revenue Commission remain in good standing. For example, Metro Finance could provide quarterly listings of suppliers to the Revenue Commission in order to verify the appropriate registration status.
- ✓ Metro Government should not enter into agreements with suppliers required to be registered, but who are not in good standing with the Metro Revenue Commission.
- ✓ Metro Finance and Revenue Commission management should confer to determine the appropriate follow-up actions for suppliers that are not registered or not in good standing with the Revenue Commission. In addition to implementing corrective actions based on the above comments, collection efforts could be made retroactively if applicable.

Internal Audit provided a separate listing of the suppliers identified during this review, along with the initiating department. This information should be used to determine the reporting requirements and potential deficiencies for specific entities.

Metro Department of Finance Corrective Action Plan

When the PSC process was changed in February 2005, the responsibility of verifying Revenue Commission status was transferred from Finance to the contracting department. Departments with the authority to contract with suppliers are responsible for verifying that the supplier is properly registered and in good standing with the Revenue Commission and are accountable for the verification they provide. Finance will continue to rely on the contracting department to ensure the supplier is registered and in good standing with the Revenue Commission. The ITPS policy and form have been modified to include the local tax reporting number and signature of the Metro employee performing the verification. The new policy and form will be distributed to all departments at the January 2006 Business Manager meeting.

Finance contacted the Revenue Commission regarding the appropriate follow up actions for suppliers that are not registered or not in good standing with the Revenue Commission. We have developed a report that lists all the suppliers the Louisville Metro Government has contracted with under the ITPS process for the current fiscal year. This report was electronically delivered to the Revenue Commission on December 12, 2005. Once the Revenue Commission completes their review of the data, prior fiscal year information will be provided so that the Revenue Commission can take appropriate action against those suppliers.

#2 - Monitoring and Reconciliation

Intent to Purchase Services transactions are authorized and payments processed using the Louisville Metro financial system. ITPS is intended for procuring services less than \$10,000 only. Services greater than \$10,000 must be procured in another manner. Issues were noted with monitoring the procurement thresholds.

- It should be noted that the limitations of the financial system in ensuring compliance with policy thresholds are being addressed. A Metro work group, consisting of representatives from GSA - Purchasing, Finance, and Internal Audit has been reviewing the policy thresholds and system capabilities. Until these are resolved, policy threshold compliance issues will continue.
- Louisville Metro financial policies and procedures require that any purchases or annual aggregate payments exceeding \$10,000 must be made using one of four methods. Aggregate payments include total fiscal year disbursements to suppliers from Metro departments. There are not adequate controls to monitor the \$10,000 aggregate payment thresholds.
 - The Louisville Metro financial system is not capable of automatically performing monitoring of aggregate thresholds and compensating procedures may not be sufficient to ensure compliance with policies. This weakness has been noted during internal audits for other areas. Metro Finance and the General Services Administration Purchasing Department are aware of the system weaknesses. At this time, it is not believed to be feasible to build functionality into the system to monitor payment thresholds.
- A Louisville Metro financial system report used to present ITPS activity does not provide sufficient information to adequately monitor compliance with guidelines. The report includes the total amount authorized by the ITPS purchase order, but does not provide the amount actually paid. Some of the total amounts authorized on the report exceeded the \$10,000 threshold. These cases might have been attributable to clerical errors (e.g., inaccurate data entry). While the review of a sample of transactions did not identify any cases in which actual payments exceeded the threshold amount, the authorized amount information presented on the report can be confusing. The lack of actual payment information limits the usefulness of the report as a monitoring tool.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ A major component of any reporting system is proper reconciliation and monitoring. It is imperative that administrative staff reviews the information on a regular basis. This includes reviewing Intent to Purchase Services documents for appropriateness, completeness, and adherence to requirements, along with monitoring financial system reports. Ultimately, Intent to Purchase Services documents should be reconciled to the Metro financial system to ensure their accuracy. Proper segregation of duties should be considered when determining monitoring and reconciliation responsibilities.

- ✓ Ideally, the Metro financial system should possess the ability to automatically monitor aggregate payments. This would include all types of disbursements, such as checks, electronic transfers, etc. In the absence of this functionality, existing information should be referenced and its use documented to verify the review of payment thresholds.
- ✓ Metro Finance and Technology Department personnel have received training in report writing for the Metro financial system software. This training may help identify ways in which the current financial system functionality may be used to monitor aggregate payments. This may be in the form of using existing reports, or developing new reports, to use as monitoring tools.
- ✓ To the extent possible, departments should be trained to use the Metro financial system to determine the amount of payments to a vendor so they can determine if the threshold will be exceeded prior to initiating the transaction. The importance of adhering to procurement policies and procedures should be stressed to all Metro personnel, especially for personnel with purchasing responsibilities. This includes understanding the threshold limits and being aware of the guidelines for procuring services utilizing the Intent to Purchase Services process.
- ✓ Departments submitting ITPS requests and Metro Finance's review of aggregate payments should consider the potential use of existing agreements.
- ✓ Metro Finance should explore the possibility of modifying the financial system report used to monitor ITPS activity (LeAP Contract Summary Report) to include the actual total amounts paid. This would improve the reports' usefulness to compare the contract amounts authorized by ITPS purchase orders to the actual payment totals.

Metro Department of Finance Corrective Action Plan

During the review process, Accounts Payable staff considers all contracts as well as all payments made to the supplier during the fiscal year. If payments or commitments to the supplier exist in the financial system in an amount equal to or greater than \$10,000, the ITPS is denied and sent back to the requesting department with an explanation.

Using reports currently available to all LeAP users, departments can effectively monitor individual supplier payments in relation to procurement policy threshold requirements. This monitoring can be accomplished by running the LeAP supplier payment report and/or the LeAP supplier paid invoice history report using government wide parameters for the fiscal year in question. Both reports have been available to department users for over two years and will continue to be reviewed by the LeAP training team as a part of the standard financial system training program.

Additionally, when users of the LeAP financial system follow the training manual and use the system as they were trained, the system will control the amount that can be released from a blanket purchase order. This system control ensures compliance with supplier contract expenditure limits; however, it is not capable of monitoring procurement policy compliance and cannot prevent a user from setting up a standard purchase order for goods/services that are already under contract or by policy require a contract.

As we have in the past, Finance will assist Internal Audit and Purchasing in their efforts to identify users that violate procurement policies or abuse their financial system purchasing authority. We will also continue notifying departments of aggregate limit issues when they occur; however, due to the decentralized procurement activity by the departments, Finance is unable to force department compliance and must rely on Internal Audit, Purchasing and department directors to hold employees accountable for violating purchasing policies.

The audit noted that some of the ITPS transactions reviewed were authorized to an amount that exceeded \$10,000. Finance staff has reviewed this finding and determined that two of the 346 ITPS set up in fiscal year 2005 were mistakenly set up for an amount greater than \$10,000 as a result of a typographical error.

#3 - Intent to Purchase Services Administration

The Louisville Metro financial policies and procedures define allowable purchases that can be made using the Intent to Purchase Services method, along with the required forms to process transactions. Requesting departments must submit an Intent to Purchase Services request to the Metro Department of Finance for review and approval. Finance's approval is based upon applicable Metro policies and procedures, statutory regulations and insurance requirements.

- While there are documented procedures for departments who would like to use the Intent to Purchase Services method, there are no documented processing procedures for the detailed activity administered by Metro Finance. There is not a comprehensive manual that presents the complete duties of the accounts payable and risk management staff. This includes the resources used to verify payment levels for threshold considerations or the records used to document the approved supplier purchase limits (e.g., financial system reports, risk management database, verification of Revenue Commission registration).
- A Louisville Metro financial system report designed to identify specific types of transactions was used to identify the population of Intent to Purchase Services activity for the review period. A sample of the report information was compared with Intent to Purchase Services request forms. A few problems were noted during the examination of these records.
 - An ITPS request form could not be located for one of the twenty-two transactions examined.
 - In two of the twenty-two ITPS transactions examined, the authorized amount recorded on the Metro financial system did not agree with the ITPS request.
- Metro Finance's Risk Management Division reviews ITPS transactions to ensure proper insurance coverage is provided when necessary. One case was noted in which Risk Management's authorization was not complete on the ITPS form.

Recommendations

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ The Metro Finance department should develop internal policies and procedures for the administration of ITPS transactions. The documentation should include specific roles and responsibilities for the processing and review of activity. Monitoring responsibilities should be assigned in order to ensure applicable requirements are adhered to.
- ✓ Information recorded on the Metro financial system should be compared with supporting documentation. This would help ensure that information is recorded accurately and completely. In addition, this helps strengthen the reliability of the records.
- ✓ All required signatures should be present on ITPS documents to ensure proper review and approval. This helps to ensure that documentation is complete and adheres with all requirements.

- ✓ Routine supervisory review should be included in the policies and procedures. These reviews should be performed to assess the completeness of files and the accuracy of the activity, including adherence to applicable guidelines. These reviews should be documented and signed by the reviewer.

Metro Department of Finance Corrective Action Plan

Accounts Payable standard operating procedures are being updated and will include the resources used to verify payment levels for threshold considerations, instruction for setting up the ITPS on the financial system and will formally document all necessary procedures for ITPS administration. The revised procedures will also require ITPS forms to be reviewed and reconciled to the financial system quarterly by someone other than the person responsible for the initial review and authorization of the ITPS.

Appendix

Table 1 - Estimated Local Tax Revenue from Intent to Purchase Services

The following table presents the estimated potential tax payments to the Metro Revenue Commission for fiscal 2005 Intent to Purchase Service transactions. This estimate is based on the total authorized ITPS purchase amounts, not the actual payments to the suppliers, and is dependent upon the accuracy of the Metro financial system information.

Total Intent to Purchase Services Authorized	Tax Rate	Estimated Local Tax Revenue *
\$2,298,315	1.45% Non-resident	\$33,325
\$2,298,315	2.2% Resident, corporation or partnership	\$50,562

** Several factors would determine the actual tax amount, if any, including registration requirements for individual suppliers, net profit amounts and applicable tax rates.*

Table 2 - Estimated Local Tax Revenue from Unregistered Suppliers

The following table presents the estimated potential tax payments to the Metro Revenue Commission from the 12 suppliers not registered. The total sample size reviewed was 50 suppliers. This estimate is based on the total authorized ITPS purchase amounts, not the actual payments to the suppliers, and is dependent upon the accuracy of the Metro financial system information.

Total Intent to Purchase Services Authorized	Tax Rate	Estimated Local Tax Revenue *
\$53,350	1.45% Non-resident	\$774
\$53,350	2.2% Resident, corporation or partnership	\$1,174

** Several factors would determine the actual tax amount, if any, including registration requirements for individual suppliers, net profit amounts and applicable tax rates.*